

## **CLARK COUNTY PUBLIC FACILITIES DISTRICT (PFD) PROCEEDINGS**

**SEPTEMBER 9, 2003**

**CLARK COUNTY, WASHINGTON**

The Clark County Public Facilities District (CCPFD) convened in the Clark County Public Services Center, 1300 Franklin Street, Vancouver, Washington.

### **MEMBERS PRESENT**

Paul Winters, Debbie Abraham, Phil Parker, Brett Wilkerson, and Jerry Kolke

### **STAFF PRESENT**

Bill Barron, Kelly Sills, Paul Lewis, John Payne, and Hugh Spitzer.

### **CALL TO ORDER**

Chair Winters called the meeting to order at 5:05 p.m.

### **ROLL CALL**

Kelly Sills called the roll and confirmed that a quorum was present.

### **PUBLIC COMMENT**

None.

### **APPROVAL OF MINUTES**

The minutes from July 7, 2003 were **moved** by Phil Parker, **seconded** by Jerry Kolke, and **approved** as written.

### **APPROVAL OF CLAIMS**

The following claims totaling \$4,545 were **moved** by Phil Parker, **seconded** by Debbie Abraham, and **approved**:

- FCSG, Invoice No. 2307007, \$3612.50
- FCSG, Invoice No. 2306050, \$932.50

### **PFD FINANCIAL REPORT**

John Payne updated the Board with financial information to date. He indicated that the first sales tax credit payment was not received until June 2003 due to a two-month time lag after the credit was first approved by the Board in April 2003. He tentatively projected that the PFD would have a positive balance of approximately \$29,000 at the end of 2004, but cautioned that this projection was based on very little historical revenue experience (only two months). John also indicated his expectation that, assuming the CCPFD participates in the convention center/hotel (CC/H) project, legal and financial costs borne by the Board would be reimbursed through the Vancouver Public Facilities District (VPFD).

### **STATUS UPDATE ON VANCOUVER PFD AND DOWNTOWN REDEVELOPMENT AUTHORITY (DRA)**

Paul Lewis, City of Vancouver, provided a status briefing on the DRA conference center/hotel (CC/H) project and its related activities. He distributed a document summarizing update information and his presentation highlighted the following:

- The Columbian closed on its purchase of the Christensen properties.
- DRA is in the process of finalizing the land purchase from the Columbian.

- Negotiations continue for the Webber building, and what kind of agreement that may be.
- A design modification meeting, addressing relatively minor issues, was held on 05AUG03 with Hilton and Faulkner.
- Hilton's Finance Committee will meet on 08SEP03. Paul expects that meeting will be the decision point for Hilton to determine whether it will or will not participate in the CC/H project. The meeting was originally intended to be held in mid-August, but Paul understands that Hilton delayed the meeting date due to (1) inability of other Hilton proposals (not CC/H) to be ready by mid-August, and (2) personal scheduling conflicts in mid-August for Finance Committee members.
- The city contracted with Hospitality Real Estate Counselors to assist in its negotiations with Hilton.
- DRA will review Faulkner project management and design/build agreements on 14AUG03.
- Paul provided an updated schedule of anticipated development and financing activities to the Board.
- Since the last CCPFD meeting the Clark County Lodging Association submitted a tort claim to the State and copied VPFD. That action is in process with the State at this time.
- A meeting with a prospective bond insurer last week elicited a relatively positive response.
- The current best estimate regarding the conference center proportional cost of the CC/H project is \$20 million. An allocated share of debt service plus operating costs results in roughly \$3 million in annual conference center costs compared to around \$1.5 million in annual sales tax credit funding.
- The City Council will hold a workshop on 18AUG03 to review the financial structure and other documents, as well as the list of actions it will need to take leading up to bond closing.

Debbie Abraham asked for break-even information for both the project and for CCPFD to begin receiving payback from the CC/H project. Paul Lewis indicated that the project break-even point is estimated at 64% occupancy with a \$90 average daily room rate in 2003 dollars. He also indicated that positive cash flow back to the PFDs (the CCPFD and VPFD equally share in positive cash flow) would need to be 69% occupancy at an average daily room rate of \$114 in 2008. These estimates were developed by Piper Jaffray, and Paul emphasized they are only estimates about future conditions.

Debbie Abraham asked about the city's public outreach efforts, particularly with respect to the open houses that the city committed to hold regarding the CC/H project. Paul indicated that he had spoken with Ms. Colleen Kawahara, City Manager's Office, who is the city staff person responsible for coordinating those open houses, and was told that the open houses have not yet been scheduled and Colleen could not provide any anticipated date when they would be scheduled. Paul committed to report back to the Board when he had more information about the open houses and when they would be held. Debbie Abraham expressed concern that the open houses not be delayed such that they are held after the bond closing, emphasizing that they should be coordinated sooner rather than later.

Paul Lewis indicated that signage for the conference center and hotel was intended to be equal in size and prominence. Hugh Spitzer indicated to the Board that items such how signage is presented and which specific name should be given to the conference center may be integrated into the interlocal agreement between CCPFD and VPFD. Paul committed to report back to the Board about signage details between the conference center and hotel aspects of the CC/H project.

Paul Lewis committed to provide a detailed table/matrix to CCPFD describing occupancy and rate requirements in order to describe break-even scenarios as follows:

1. Project break even.
2. Positive cash flow back to the PFDs.
3. Base case.
4. Full repayment of CCPFD contributions.

Paul Lewis committed to provide information at the next CCPFD meeting regarding the status of city negotiations with the Southwest Washington Convention and Visitors Bureau.

#### **STATUS UPDATE ON FAIRGROUNDS PROJECT**

Kelly Sills indicated that, having spoken with Doug Johnston about the Fairgrounds project, there were no salient new developments other than the County Board of Commissioners' approval of the Master Plan (essentially the same plan as was presented to the CCPFD in July).

#### **PUBLIC OUTREACH**

Kelly Sills distributed the August 2003 Informational Bulletin which is now on the CCPFD's web site, indicating that the content had been approved by Debbie Abraham as established by the Board.

#### **FUTURE MEETING SCHEDULE**

Chair Winters indicated that the first Monday in September is Labor Day and so presented a scheduling conflict with the Board's regular meeting schedule. Additionally, he expressed a preference to hold the next meeting after the date of the Hilton Finance Committee decision (08SEP03). Hugh Spitzer indicated that the CCPFD would need to make a project decision by the end of September. Chair Winters suggested that the Board meet during the week of 08SEP03 in anticipation of beginning its review of interlocal and other documents at that time.

The Board agreed by consensus to meet at the Heathman Lodge as a working lunch meeting at 11:30 a.m. on 09SEP03.

Hugh Spitzer indicated that he will attempt to get the interlocal and payment documents to the Board by the last week in August so Board members may have sufficient time to review those drafts prior to 09SEP03. Brett Wilkerson asked that Kelly Sills provide him with an estimated Board/public attendance count prior to the 09SEP03 meeting. Chair Winters asked Board members to forward any items they would like on the 09SEP03 agenda to Kelly in a timely manner so they may be reviewed in preparation for the next meeting.

In order to help expedite CCPFD coordination with project review and approval by the County Board of Commissioners, Phil Parker recommended a second September meeting the week of 15SEP03. The Board agreed by consensus to meet at the Clark County Public Services Center at 5:00 p.m. on 15SEP03. Hugh Spitzer indicated that both September meetings should be noticed as special meetings of the Board. Hugh also recommended that David Findlay be asked to attend both September meetings.

#### **UPDATE ON INTERLOCAL AGREEMENT DISCUSSION**

Hugh Spitzer indicated that there are several agencies involved in the CC/H project, including the City of Vancouver, VPFD, CCPFD, DRA, hotelier, contractor, etc. The original draft interlocal agreement had the CCPFD included with these other players in a master agreement, but Hugh has worked to have just one, bilateral interlocal agreement between CCPFD and VPFD. This way CCPFD maintains an "arms length" relationship to the CC/H project and is limited, both in responsibility and liability, to its singular role as a financial contributor. The VPFD attorney, Bill Doyle, generally accepted this concept, but indicated that two agreements would be necessary, an interlocal agreement and a payment agreement. The separate payment agreement commits CCPFD sales tax credit revenues to the project and will help provide more bond security. So, both Hugh and Bill reached legal agreement that there would be two agreements, an interlocal and a payment agreement, and that both agreements would be only between CCPFD and VPFD.

Hugh Spitzer indicated that other discussion items between CCPFD and VPFD included the following:

- Provisions to further protect the liability of CCPFD and its Board members.
- Bonds do not constitute an obligation of CCPFD.
- Assurance that no money from CCPFD goes to the hotel side of the CC/H project.
- How the CCPFD could be paid back, when pay back occurs, and possible mechanisms for early payback.
- Defining how construction commences from a legal perspective.
- Restricting use of CCPFD funding vis-à-vis conference center expansion.
- How VPFD would be able to turn around and support the county's Fairgrounds project in the event the CC/H project doesn't happen.

### **RESPONSE TO QUESTIONS REFERRED TO CITY PFD/DRA**

Paul Lewis indicated that eight questions were forwarded to the city by Kelly Sills on behalf of the Board. He was able to answer five of the eight and requested further clarification on three of the eight. That request for clarification was channeled through Kelly, and Kelly indicated that they were forwarded to the inquirer and to date a response from that source had not been received. Paul provided an overview of the responses to the questions and distributed a written memo detailing those responses. He also provided résumés from HVS principals most involved in the CC/H project.

Brett Wilkerson, General Manager of the Heathman Lodge, indicated that the Heathman's room rates, referenced by HVS on page 4 of the memo, were significantly overstated. Paul Lewis indicated that the rates were an informed estimate from HVS, and Brett reiterated that, as the GM of the Heathman, he could definitively say that those estimates were wrong by a wide margin. Brett further emphasized that the Board should not only be attentive to the validity of HVS's estimates, but it should also pay close attention to the STAR information provided as part of Paul's written handout. The STAR report clearly shows how difficult the hotel market has become in Vancouver and Clark County. Brett also expressed his appreciation to Paul for having responded forthrightly to the Board's questions.

In response to a question from the Board, Hugh Spitzer confirmed that, from a legal standpoint, money spent on a project and then returned from that project would be unrestricted in its further usage.

Brett Wilkerson committed to bringing his hotel's financial information to the next CCPFD meeting in order to further substantiate his contention that the HVS rate estimates are not reflective of the Heathman's true average daily room rate. Paul Lewis indicated that he will work with Steven Walker (HVS) to obtain information about how the estimates were developed and if they need to be corrected, and committed to reporting the results of that work to the CCPFD Board during its next meeting. Paul added that HVS plans to update its information in the near future and committed to provide that update to the Board as soon as it is available.

Chair Winters refocused the Board on whether the CCPFD needs to be concerned with return-on-investment issues, indicating that is still an open question. Brett Wilkerson agreed that is still an open question, but he feels his greater responsibility to the public is to ensure that CCPFD has complete and accurate financial information before it makes a policy decision to financially support the CC/H project.

Brett Wilkerson recommended that the Board request an updated STAR report from the city as soon as possible. He added that the historical trend information showing supply and demand in the Clark County hotel market is germane to the Board's project selection decision. Paul committed to provide an updated STAR report to the Board in a timely manner, and if not otherwise timely he would specifically request a STAR report so that it may be provided to the Board as soon as reasonably possible.

Debbie Abraham indicated that she supports providing CCPFD funding in support of the CC/H project and the only way she would not approve the project is if it appeared it would hemorrhage money.

#### **RESOLUTION TO LIMIT SCOPE OF PFD ACTIVITIES**

Kelly Sills indicated that it would provide greater assurance to prospective bond insurers if the CCPFD voluntarily limited the scope of its activities to just project funding. The concern is that if the CCPFD entered into operational activities it could incur liabilities which, in turn, could interfere with the funding of a bonded project. Kelly added that, as a Board resolution, the proposed action is only as binding as the Board chooses to make it since it constitutes an expression of intent and does not constitute a legal limitation. Such a limitation could become legally binding if it was incorporated into a contractual agreement such as an interlocal.

Resolution No. 2003-05, a resolution declaring the Board's official intent to limit its activities, directly or through contract, to the funding of one or more regional center projects and to contract with other entities to carry out the construction, operation, and similar activities for regional centers or other authorized facilities of the District, was **moved** by Phil Parker, **seconded** by Jerry Kolke, and **approved**.

#### **GOOD OF THE ORDER**

1. Debbie Abraham asked whether the county was ready to immediately step into the breach with the Fairgrounds project in the event the CC/H project doesn't move forward. Paul Winters indicated that this immediate capability is being developed by the county so that it would be able to meet that requirement. He also indicated that language is being included in the interlocal between CCPFD and VPFD to ensure VPFD can likewise step up to the plate and support the Fairgrounds project.
2. Brett Wilkerson requested that staff provide him with a color copy of the Fairgrounds Master Plan.

#### **ADJOURNMENT**

**Motion** to adjourn by Brett Wilkerson, **seconded** by Phil Parker, and **approved**. The Board adjourned its meeting at 7:26 p.m.

The next meeting of the PFD Board will be at 11:30 a.m. on September 9, 2003 at the Heathman Lodge. It is intended that this meeting will be a working lunch for the Board. A subsequent meeting will be held at 5:00 p.m. in the Clark County Public Services Center on 15SEP03.